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CENTRAL INTELLIGENCE AGENCY
Office of the Chief, Economic Research
Office of Research and Reports

Project Action Memorandum

Project No. 42.718
DATE: 4 May 1955

Trends in Sino-Soviet Bloc

TITLE: ~~Communist~~ Economic Assistance Activities

REQUESTER: OGB DD/I (for OCB)

STATEMENT OF PROBLEM AND TERMS OF REFERENCE:

Problem: To present the extent of Communist economic assistance activities to the Bloc and to the free world.

Terms of Reference: 1. Request for brief paper summarizing material covered orally for Stacy May of Nelson Rockefeller's staff re Communist assistance to the Bloc and to the free world.

2. Per written request of 28 April 1955.

3. To be forwarded in an original and three copies for transmittal by the DD/I.

RESPONSIBILITY:

	<u>Man-Hours</u>	<u>Due Date</u>	<u>Concurrence (Initials)</u>
<u>Action Division:</u> D/S		6 May 55	<i>[Signature]</i>
<u>Branch:</u> S/TF	25		
<u>Staff:</u> St/PR		9 May 55	<i>[Signature]</i>

Project Monitor: [REDACTED] X 2803

This project will not delay completion of currently scheduled projects.
The classification of this project will be no higher than SECRET.

APPROVED *[Signature]* Ch/E

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Proj. # 42.718 (11-393)

MEMORANDUM FOR: Neilson C. Debevoise
Operations Coordinating Board

SUBJECT : Information on Trends in Sino-Soviet Bloc
Economic Assistance Activities.

REFERENCE : Your Memorandum of 28 April 1955

In response to your request, there is enclosed a summary of the briefing on Soviet economic assistance given jointly by ORR and OIR to Mr. Stacy May on 28 April. The summary has been prepared and coordinated by Mr. Helmut Sonnenfeldt of OIR and [REDACTED] of ORR.

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ROBERT AMORY, JR.
Deputy Director/Intelligence

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Enclosure:
Summary of Briefing

RR/S [REDACTED] /dk (9 May 1955)

Forwarded to DD/I thru AD/RR, 10 May 55.

*of enclosure
Copy to OED in response to an FOA request - 17 May 55.
[Signature]*

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TRENDS IN SINO-SOVIET BLOC ECONOMIC ASSISTANCE ACTIVITIES

1. Intra-Bloc

Inside the Sino-Soviet Bloc what purports to be mutual economic assistance dates from the early postwar years. The Council for Economic Mutual Assistance (CEMA) was established in January 1949 but its broad purpose seems to be the coordination of the economies of the member countries under Soviet direction. More specifically it undertakes to insure within the Satellites, development of Bloc industry and mineral resources, the improvement of materials supply, the exchange of experience and the standardization of production and quality, the development of intra-bloc trade, etc., all in accordance with Soviet policy. It is the most active bloc wide economic organization, but it is not clear how far it has progressed toward the above objectives.

Within the Soviet Bloc, the major activities have been the coordination and direction of national economic plans, and the supervision of international trade of bloc countries. Additional activities are found in the fields of finance (principally Soviet loans) and in economic cooperation (where one country builds a plant and another supplies the raw materials).

Poland has been the largest recipient of Soviet loans, with \$450 million in 1948 and \$100 million in 1950. Communist China was next, with Soviet loans of \$300 million in 1950 and \$130 million in 1954, and is receiving active Soviet assistance in the building of 156 major industrial enterprises. This assistance includes large numbers of Soviet technicians as well as machinery and equipment. In addition, the European Satellites are furnishing to China equipment and technicians for a number of other projects. Similar assistance, on a smaller scale, has been given to European Satellite countries, principally by the USSR.

In spite of the magnitude of Soviet assistance to China and the European Satellites, it should be noted that the recipients are paying for virtually all of this aid. Very little, if any, of this aid represents outright grants but consists of repayable loans and bilateral commodity trade. Only North Korea and Albania have received grants from other Bloc countries.

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2. Soviet Economic and Technical Assistance to Free World Countries

Until 1953 the USSR did not engage in any significant programs of economic and technical assistance to non-Communist countries. This Soviet failure to act probably resulted from several interacting factors. The demand on Soviet resources during the internal post-war reconstruction period militated against non-Bloc allocations of capital goods of which the Bloc is still a net importer.

Soviet public statements indicated that by 1951 Moscow began to appreciate possible political and psychological advantages that might be derived from assistance to underdeveloped and "uncommitted" regions during a period of cold war. Propaganda accordingly started to augment the traditional effort of discrediting and minimizing US assistance programs with assurances of Soviet interest in such programs and with increasingly specific promises. At the same time, Moscow was always careful not to promise the sky and thus run the risk of disappointing exaggerated hopes. The USSR is in the position, where, having done nothing before and having well organized facilities for publicity, even the slightest effort would receive attention far out of proportion to the resources involved.

The Soviet decision to move into the field, when it came, was unquestionably a pragmatic, political one. The geographical location of the principal Soviet effort to date points up the political nature of the program. In Afghanistan Bloc assistance has been underway since early 1954, amounting to roughly 6.1 million dollars in credits and loans from the USSR and 5 million from Czechoslovakia. In India, an assistance program developed from the trade agreement of December 3, 1953, and took its most spectacular form in a Soviet agreement signed in early 1955 to construct a million-ton capacity steel mill by 1959 to be financed by a 12 year 2.5% Soviet loan of 96.1 million dollars. East Germany has loaned \$7 million to Indonesia for construction of sugar mills and for service of technicians. Czechoslovakia has signed a contract to export a cotton mill to Turkey to be assembled under Czech supervision. Specific offers of technical aid have been made, but not implemented, to Finland, Argentina, Iceland and Greece. More general offers have been made to other countries, especially in meetings of ECAFE.

Aside from the above bilateral programs, (none of which involve grants but are paid for by recipient countries) the Soviet bloc members of the UN began in 1953 to pledge funds to the UN technical assistance

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program which now amount to approximately 3.3 million dollars (in unconvertible rubles). To date the Soviet bloc pledges have not been widely utilized but the UNTAA has approved projects for 1955 totaling \$1,080,543 in India, Ceylon, Pakistan and Ecuador. Over 90 percent of this sum is to go into Soviet equipment, and the rest will pay for services of Soviet experts and for Soviet educational facilities for the training of personnel from underdeveloped countries. Additional offers have been made to other countries including Chile.

3. Sino-Soviet Bloc Intentions and Capabilities in Economic Assistance Activities

Intra-Bloc economic cooperation and "assistance" will probably continue for some time with, perhaps, some increase. Almost complete coordination in the timing of Bloc countries' five year plans with that of the USSR for 1956 - 60 is suggestive of closer economic integration. However, no specific changes are expected in the character of such activities.

The total Soviet effort outside the Bloc is modest in financial terms and in the resources involved. By applying it selectively Moscow can expect a certain cumulative return in good will, prestige, propaganda effect, and, perhaps, declining US influence that outweighs the resources expended. There can be no doubt that Soviet capability for this type of selective and occasionally spectacular program exists and will continue to grow.

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OPERATIONS COORDINATING BOARD
WASHINGTON 25, D. C.

42.718

APR 28 1955

MEMORANDUM

TO: Mr. Robert Amory
Central Intelligence Agency
222 Administration Building

FROM: Neilson C. Debevoise *NCD*

SUBJECT: Request for Intelligence on Communist Economic Assistance Activities

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Mr. Stacy May of Mr. Nelson Rockefeller's staff asked Mr. Charles Taquey of the Special Projects Staff to arrange for an informal briefing on Communist economic assistance to the Bloc and to the Free World. I called Mr. Allan Evans of OIR and [REDACTED] of ORR who arranged to have Mr. Helmut Sonnenfeldt of DRS and [REDACTED] of ORR brief Mr. May this morning. Both did an excellent job of filling in certain gaps for Mr. May who had read both OIR and ORR's papers on the Communist economic assistance program.

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At the conclusion of the briefing Mr. May requested that we have prepared for Mr. Rockefeller a brief paper summarizing the material covered orally during the briefing, pointing out the somewhat limited scope of Communist operations at the present time, and giving a word or two with regard to possible future developments. There was general agreement that this could be done in about four single-spaced, standard-size pages. No research is required, and the problem is merely one of setting down the remarks made by the two gentlemen this morning. It was also felt that the paper need not go beyond a secret classification.

Mr. May would like to secure the paper by 11 May if this is possible.